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Senate Energy Briefing

25 January 1984

Overview

The Iran-Iraq war, in its fourth year, has entered a lull during which both sides are evaluating their options. Iran continues to reject all attempts at mediation and seems intent on pursuing its war of attrition until Iraqi President Saddam Hussein is overthrown. Iran is receiving arms--mainly from North Korea--sufficient to continue the current level of fighting indefinitely but lacks the conventional equipment necessary to achieve a decisive victory. Iran's biggest failure to date probably has been its inability to establish a satisfactory source of supply for major military equipment. [REDACTED]

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Iraq, on the other hand, is a well equipped, but reluctant warrior. Presently Baghdad is pursuing a combination of diplomatic initiatives and military threat in a search for more oil revenues to halt its economic slide, and an end to the war. Should diplomacy and threat fail to move Baghdad closer to its objectives, we believe Iraq will carry through on its threat to escalate the fighting. Military action, however, will continue to be closely linked to diplomacy. Iran's response to greater Iraqi aggressiveness could begin a cycle of escalation that would threaten oil exports throughout the Gulf. [REDACTED]

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The War

The Iran-Iraq war is one of the longest and bloodiest in recent Middle East history.

-- Approximately 200,000 troops have been killed, 300,000 seriously wounded, and 60,000 taken prisoner.

-- Nearly 4,000 armored vehicles and 400 fighter aircraft have been destroyed.

-- Three major Iranian cities and six towns with a prewar population estimated at over one million have been devastated and, in some cases, no longer exist.

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The war currently is a stalemate with neither side having much chance of achieving a decisive military victory. Iraq long ago forfeited the military initiative by adopting a defensive strategy. Iran, on the other hand, lacks the conventional military equipment to achieve a decisive breakthrough. The chart shows the current equipment inventories of Iran and Iraq.

(USE EQUIPMENT CHART)

We judge that less than half the equipment listed in the Iranian column is actually operational. Iraq has about a five-to-one advantage in operational armored vehicles, a two-to-one edge in artillery, and a better than six-to-one advantage in combat

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aircraft. We expect the equipment gap in Iraq's favor to continue to widen in 1984.

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(USE ORDER OF BATTLE MAP)

This map shows the current deployment of Iranian and Iraqi forces. Since mid 1983 Iran has been waging a war of attrition; launching relatively small offensives into Iraq at Haj Umran in July, Mehran in August, and at Panjwin in October and November. Iran is attempting to keep the military pressure on Iraq, stir up trouble in Iraqi Kurdistan and wait for Iraq's economic difficulties and Iranian subversion to bring down Saddam Hussein.

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Iraq's Financial Problem

Iraq can cope with Iran's offensives, its more immediate problem is financial. Two of Iraq's three pre-war oil export outlets are closed. Iran early in the war seriously damaged Iraq's Persian Gulf oil loading terminals; and in 1982 Syria closed the 1.2 million barrels per day Iraqi pipeline through Syria. As a result, Iraqi oil exports are limited to some 800,000 barrels per day through the Turkish pipeline and another 50,000 barrels per day trucked through Jordan and Turkey.

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In 1980 Iraq earned \$25 billion from oil sales; in 1983 Iraq earned about \$8 billion. To cope Baghdad has had to slash imports severely, defer roughly \$1-2 billion in payments owed

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foreign companies, and press its Gulf Arab allies for additional help. Direct Gulf aid, however, declined from \$5.5 billion in 1982 to \$1.6 billion in 1983. That, plus an additional \$1.7 billion derived from Gulf oil sales on Iraq's behalf still left an unfinanced deficit in 1983 of about \$4 billion that Baghdad had to cover by drawing down its foreign exchange reserves. Iraq's reserves have fallen from about \$31 billion before the war to \$4-5 billion at present. We see only marginal relief in sight for 1984. Oil exports probably will increase somewhat through the expansion of the Turkish pipeline; foreign assistance is not likely to exceed last year's level.

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Iraq's Solution

To find a way out of its economic difficulties, Iraq began last year to threaten to escalate the conflict in the Gulf using Super Etendards supplied by France. The five aircraft armed with Exocet antiship missiles currently are stationed at an airbase in northern Iraq.

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(USE MAP WITH SUPER ETENDARD)

Baghdad's message was, and is, simple. There must soon be movement either toward peace or a resolution of Iraq's economic dilemma, or Iraq will escalate the war by attacking Iran's oil export capability. Simply put, Iraq's problem is that it can not export sufficient quantities of oil to fund the war and pay for civilian imports. The problem can be solved either by reopening the Gulf terminals, or finding new oil export outlets.

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Because Iran seems intent on pursuing the war, the Gulf is likely to remain closed to Iraq. The best option, therefore, would seem to be new outlets. To this end Baghdad has explored pipeline construction deals with Jordan and with Saudi Arabia. Both governments have agreed in principal--Jordan eagerly, Saudi Arabia reluctantly. Neither pipeline option in our judgment could pay off in additional revenues before the start of next year under the best circumstances. Beginning construction, however, would allow Iraq to reassure its creditors that a solution is at hand. []

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During the next month or two Iraqi leaders will assess the benefits of their diplomatic gambit. Indeed, some benefits are already apparent. Plans to build a spur line to the Saudi trans-Arabian pipeline appear to be moving forward and there is increased pressure on Western governments to restrict the flow of arms to Iran. []

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But if Iraqi leaders believe that there is no meaningful progress on developing a new oil export route, or if additional aid is not forthcoming from Iraq's backers, the pressures for a military escalation will grow. It seems only prudent to expect Iraqi leaders to use all the weapons at their disposal if they perceive their situation to be desperate, either because of financial problems or general war weariness among their people.

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The Options

Iraq can strike at Iran's oil exports in three ways: hitting mainland facilities that serve Khark Island; attacking Khark Island itself--through which 90 percent of Iran's oil exports flow; or attacking tankers near Khark.

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The first two options hold little attraction for Baghdad. Gravity would keep the oil flowing at rates well above Iran's current exports of 1.9 million barrels per day even if critical mainland facilities were knocked out.

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Attacking Khark Island directly would probably result in heavy aircraft losses.

(USE PHOTO OF KHARK)

Khark is heavily defended by Hawk surface-to-air missiles and antiaircraft guns. The Iranians also have fighter aircraft nearby at Bushehr Air Base. Moreover, Khark was built to export over 6 million barrels per day. With Iranian oil exports at less than 2 million barrels per day there is great redundancy in facilities on the island.

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Nonetheless, Iraq has the capability on paper to inflict major damage on Khark. The Iraqis could use their fighter aircraft to seize control of the air over the island and to knock out the radars for the Hawk missiles. Iraq has 16 medium bombers which could be used to carpet bomb the island, smaller fighter

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bombers could be assigned point targets. Iraq also has Scud-B missiles with the range to hit Khark. The Scud carries a warhead of approximately 2,000 pounds. The missile has poor accuracy, but Iraq has sufficient missiles to permit several barrages (5-10 missiles each) to be fired with a good likelihood of substantial damage.

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The simplicity and relatively low risk of using the Super Etendard with the Exocet missile make it the most likely weapon to be used against Iranian oil exports. We have insufficient data to determine the effectiveness of the Exocet against oil tankers. Out of five Exocets launched in the Falklands--four from Super Etendards and one ground launched--three missiles hit ships. During the Iran-Iraq war, Exocets launched from Iraq's Super Frelon helicopters against merchant ships bound for Iran's northern ports have almost invariably homed in on the superstructure, inflicting damage on ship control stations, engine rooms, and crew quarters, but often not sinking the ship.

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Iraq's ability to sink tankers, however, is less important than the reaction of international tanker owners to Iraqi attacks. If Iraq conducts a few sporadic attacks and then stops, we believe tankers will soon resume calling at Khark. If Iraq sustains its attacks and damages or sinks additional tankers, we believe Iraq could virtually shut down tanker traffic to and from Khark Island.

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Iran's Response

Iran has warned that if its oil exports are significantly reduced by Iraqi attacks, it would close the Gulf and attack Gulf oil installations. Several factors, however, might incline Iran toward more restraint. Iran has \$13 billion in reserves, giving it the ability to ride out a short-term oil cut-off. Tehran could then put the onus for escalation on Iraq and attempt to create a rift between Iraq and its Western and Arab supporters. Iran probably would want to avoid Western military intervention in the Gulf.

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Should Iran retaliate in the Gulf it has numerous options. Iran has the capability to harass shipping in the Gulf using either its Navy or the Air Force. The Iranians could board ships or force them to go to Bandar-e Abbas to be searched. Iranian fighter aircraft could begin low-level flights over shipping in the Gulf as a warning to the West that Iraq must be restrained.

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Attacks on Kuwait would warn Iraq's Gulf supporters to restrain Baghdad. Iran has attacked Kuwait several times early in the war with little international reaction. Attacks on Kuwait might not interfere with oil exports from the lower Gulf and thus would avoid Western intervention.

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Iran also has the capability to mount sabotage or commando raids against oil facilities in the lower Gulf. Iran has sympathizers in these states, at least some of whom have received

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paramilitary training in Iran. The Iranians also used seaborne commandos early in the war to knock out Iraq's offshore loading platforms; Iran is capable of carrying out similar operations against the other Gulf states. [REDACTED]

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Although we estimate Iran has only 70 operational fighter aircraft remaining, Iranian aircraft are based so close to Gulf oil facilities that the Gulf states could not react in time to prevent some aircraft from penetrating Gulf air defenses. Iran could not sustain an air campaign but even a few airstrikes may be sufficient to stop tanker traffic to Arab Gulf ports. [REDACTED]

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Finally, Iran has the capability to blockade or mine the Strait of Hormuz so long as its actions are not contested by Western navies. Iran could blockade the Strait using its three destroyers, four frigates, and 10 missile boats. Iran also has fighter aircraft at two nearby bases to back up a blockade. [REDACTED]

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[REDACTED]

Iran has naval mines--as many as 300 from North Korea--and is capable of laying mines randomly. An Iranian announcement that the Strait had been mined, whether or not it was true, probably would bring tanker traffic to a halt for a time, and probably would require Western minesweepers to clear the Strait. [REDACTED]

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That ends my presentation. [REDACTED]

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